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REVIEW OF THE EFFICIENCY OF THE ADMINISTRATIVE AND FINANCIAL FUNCTIONING OF THE UNITED NATIONS

Note by the Secretary-General

Pursuant to General Assembly resolution 48/218 B, the Secretary-General has the honour to transmit, for the attention of the General Assembly, the attached report of the Office of the Internal Oversight Services on investigation of allegations of irregularities and mismanagement made by Mr. Frank Ruddy, former Deputy Chairman, Identification Commission, United Nations Mission for the Referendum in Western Sahara.

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ANNEX

Report of the Office of Internal Oversight Services on investigation of allegations of irregularities and mismanagement made by Mr. Frank Ruddy, former Deputy Chairman of the Identification Commission of the United Nations Mission for the Referendum in Western Sahara

I. BACKGROUND

1. In a memorandum dated 3 January 1995 addressed to Mr. Karl-Theodor Paschke, Under-Secretary-General for Internal Oversight Services, copied, among others, to Mr. Kofi Annan, Under-Secretary-General for Peace-Keeping Operations, Mr. Benon Sevan, in his capacity as Officer-in-Charge of the Department of Administration and Management, suggested that the Office of Internal Oversight Services investigate charges of fiscal irresponsibility, serious mismanagement and "anti-Americanism", submitted on 20 and 21 December 1994 by Mr. Frank Ruddy, former Deputy Chairman of the Identification Commission of the United Nations Mission for the Referendum in Western Sahara (MINURSO). Mr. Sevan also suggested that the political as well as the diplomatic aspects of the matter be examined by the Department of Peace-Keeping Operations. Subsequently, with his note dated 6 January 1995 to Mr. Paschke, Mr. Sevan sent copies of certain correspondence from Mr. Erik Jensen, Deputy Special Representative of the Secretary-General for Western Sahara, which provided answers to Mr. Ruddy's allegations of mismanagement.

2. An audit visit to MINURSO had already been planned to follow up on recommendations of past audits. Mr. Paschke decided to undertake this audit mission without delay and also asked the auditors to investigate the complaints involving allegations of mismanagement and irregularities. Mr. T. R. Krishnamachari was designated Auditor-in-Charge.

3. On 26 January 1995, Mr. Ruddy met with Mr. Joseph E. Connor, Under-Secretary-General for Administration and Management, and the Auditor-in-Charge was present at the meeting. Mr. Ruddy reiterated the allegations of mismanagement and lack of accountability in MINURSO and referred to certain irregularities, promising to give the details of specific cases relating to procurement which he had heard from others. Mr. Paschke also spoke to Mr. Ruddy by telephone (on 2 February 1995) in the presence of the Auditor-in-Charge. Mr. Paschke queried Mr. Ruddy about the specifics of his accusations. While giving details and quoting names as sources, Mr. Ruddy also made reference to the verbatim of his statement to the House Appropriations Subcommittee of 25 January 1995. Some of the information he provided was clearly and admittedly based on hearsay.

II. AUDIT AND INVESTIGATION

4. The audit and investigation were conducted at MINURSO headquarters at Laayoune between 13 and 18 February 1995. The visit was preceded by a careful sifting of material and information on the allegations and the documents

relating to MINURSO collected from the Department of Peace-Keeping Operations. At Laayoune, besides meeting with the heads of the various components of the Mission and the Deputy Special Representative of the Secretary-General, the auditors also met with a number of officials confidentially. The auditors obtained documentary evidence from some of them. Further, they summoned the relevant records of MINURSO and scrutinized them, obtaining such clarifications as they needed. The records and information were given to them freely and promptly. The auditors also inspected the Identification Commission office and witnessed the identification process in progress.

III. ALLEGATIONS AND FINDINGS

A. Management of the identification process

1. Allegations

5. The allegations were as follows: there has been avoidable delay in the start as well as in the progress of identification of potential voters in the referendum, and the credibility and transparency of the identification process have been compromised; the applications from the would-be voters were left to be obtained by the parties, instead of being directly handled by MINURSO and there was no control by MINURSO; the applicants who were to be identified were not allowed free access to the MINURSO centre; and some of the "receipts" given to them after identification were taken away, with the result that the wrong people may be presenting receipts and getting voter cards.

6. These allegations of Mr. Ruddy were supported by a staff member of MINURSO who met with the auditors in New York on 13 March 1995. The staff member also complained about the non-operation of the proposed mobile identification centres outside Western Sahara and about the delay in the start of the review of doubtful cases of applicants.

2. Findings

7. The delay of over two months in the start of the identification process was explained by the Secretary-General in his reports of 12 July 1994 (S/1994/819) and 5 November 1994 (S/1994/1257) to the Security Council. According to these reports, the identification could not start as scheduled (8 June 1994) because of the difficulty over the participation of the observers of the Organization of African Unity (OAU). In order to overcome that difficulty, the Secretary-General held extensive consultations. In our assessment, the cause was thus political difficulty and not any management failure.

8. The halting progress of identification after 28 August 1994 was, however, partly attributed by the Deputy Special Representative to the mishandling of the process by Mr. Ruddy, who was in charge of the management of the day-to-day operations. This was independently supported by the reports of the OAU representative.

9. It was agreed by the parties that applicants would have to be assisted in completing the applications. Except in Mauritania, the task was thus undertaken by the parties. Otherwise, MINURSO would have required vast staff to complete all the forms. The Secretary-General had also reported to the Security Council on 12 July 1994 (see S/1994/819) that application forms had been provided to the parties, as requested, for distribution to potential voters and that both sides had begun delivering completed application forms to the Identification Commission.

10. MINURSO personnel were reported to have visited the offices where applications were being filled in on both the Frente Popular para la Liberación de Saguia el-Hamra y de Río de Oro (Frente POLISARIO) and the Moroccan sides. In any case, the applications are subject to verification at the time of identification of potential voters.

11. According to the initial timetable set out in the settlement plan, the Identification Commission was to start the identification and registration of potential voters on D-Day, which will mark the beginning of the transitional period. However, this operation was brought forward in pursuance of Security Council resolution 907 (1994) of 29 March 1994 and launched on 28 August 1994. The United Nations enjoys very limited power under the plan, until such time as the Security Council declares D-Day. The auditors were informed that there is a measure of control exercised by both the parties.

12. The Deputy Special Representative has stated that if it is true that people are prevented from coming to be identified, there will be ample opportunity for such individuals to present themselves at later stages in the process, since he has made a ruling that individuals could continue to present applications after the formal deadline of receipt of applications through the parties.

13. As regards the apprehension that the wrong people may be presenting receipts and getting voter cards, it may be stated that MINURSO retains full files on all applicants, including their photographs and fingerprints, which could be used to verify the identity at a later stage in doubtful cases.

14. Reacting to the additional complaints after the audit visit by the staff member of MINURSO, the Deputy Special Representative clarified that the mobile centres would be in operation soon after the availability of the necessary equipment and governmental clearance were ensured, and that the review of doubtful cases of applicants started after the receipt of Spanish archival material in December 1994 and the designation of a Vice-Chairman of the Identification Commission with special responsibility for legal affairs.

B. Utilization of Identification Commission staff

15. Delay in the identification process for whatever reason entails some waste of resources. Taking note of the allegations in this regard, the auditors reviewed the workload and staff strength, and found that from time to time, the staff strength available could not be optimally utilized.

16. The processing of applications (235,390) and identification of applicants have been slow. As of 13 February 1995, only 14,727 applicants had been identified. The number of applicants identified per month varied from a low of 974 in September 1994 to a high of 3,279 in January 1995. At this rate, it would appear difficult to adhere to the present schedule of holding the referendum in October 1995.

17. The effective staff strength of the Identification Commission, excluding the staff of the Chairman's office, increased from 31 in January 1994 to 66 in June 1994 and to 86 in January 1995. The strength is expected to increase further in the coming months. We recommended that the planning and programming of the identification work should be supplemented by effective monthly planning and review of the deployment of staff in various identification centres, adjusting the staff strength in accordance with the workload in each centre and regulating the induction of additional staff strictly according to actual requirements from month to month, in coordination with the Department of Peace-Keeping Operations. The Deputy Special Representative welcomed the recommendation and assured us that this was precisely a function he was proposing for the (new) Deputy Chairman of the Identification Commission. He, however, referred to the "difficulty New York appears to have in making available just those who are needed when they are needed". In his memorandum dated 31 January 1995 addressed to the Chief Administrative Officer, he mentioned that "to have large numbers of identification staff here without the necessary EDP support staff will only create difficulties" and that "new identification centres can only be opened with an EDP officer present". A proper balance must therefore be ensured between commission members, registration officers who speak Arabic and qualified EDP personnel.

C. Weekly reports

18. It was alleged that the "weekly reports are exercises in concealing information". The auditors were informed by the Deputy Special Representative that the weekly reports were not appropriate for transmitting confidential information, which was given to those concerned at United Nations Headquarters, principally by telephone and, when warranted, by submitting written confidential reports.

19. A review of the weekly reports revealed that they would not prove an effective tool for monitoring and review of the progress of MINURSO's activities against the action plan and objectives of the Mission. For instance, the reports for the period from mid-October 1994 did not indicate the applications received and processed, and therefore did not disclose the delay. It was only after an inquiry from Headquarters concerning the computerization of application forms, that a confidential and immediate report was sent on 31 January 1995.

20. In order for the reports truly to serve as an effective tool for monitoring the progress of the Mission, we recommended, and the Deputy Special Representative agreed, that the reports be made as comprehensive as possible, covering performance against the latest action plan and reasons for any difference between the plan and actual implementation. If necessary, the

periodicity of the reports could be suitably revised to ensure effective monitoring and review at Headquarters.

D. Utilization of resources

1. Allegations

21. The allegations were as follows: empty planes were flying back and forth from Algeria to Laayoune at staggering costs; the payroll has been padded; there were irregularities or mismanagement in procurement of goods and services (hiring of helicopters, group air travel and vehicle spare parts) and mission subsistence allowance payments; and there was an instance of falsification of records relating to an appointment.

2. Findings

Empty flights

22. This related to the arrangement for the transport of party representatives and tribal leaders for the identification work, in the initial stages. The Deputy Special Representative offered the following explanation, which is acceptable to us:

> "At the outset especially, when nerves were very tense, as party representatives and tribal leaders prepared to fly into unknown 'enemy' territory after 19 years of civil war, there was profound concern about security. There was initial insistence that two planes depart simultaneously, one from each side, and that they cross in mid-air, thus offering mutual guarantees. We had no means for that, and it was agreed that every other time the Frente POLISARIO group would leave first and every other the Moroccan. Because of that and the fact that our aircraft was based in Laayoune, not in Tindouf, there have been [empty] flights to collect passengers."

23. This explanation by the Deputy Special Representative for the extraordinary flight arrangement, which was given after receipt of allegations, could have been kept on record and intimated to Headquarters earlier.

24. Incidentally, the auditors noted in the course of a review of personnel movement control that in the past (up to October 1994), there were flights exclusively for officials on compensatory time-off and weekend visits. The auditors were, however, informed that as a result of the previous internal audit, such flights had been cancelled effective from 27 October 1994.

Staff costs

25. During the previous internal audit (September-October 1994) certain irregularities in regard to staff costs, including mission subsistence allowance, were noticed, and remedial action has been taken as recommended by us.

Procurement

26. Since there was mention of an irregular contract for air charter services which had not been awarded on the basis of the lowest bid, the auditors reviewed the case. It was a case of extension of the previous contract for one month (16 January-15 February 1995) pending consideration of the safety of the helicopter of the lowest bidder.

27. There was also mention of group air travel arrangement (rotation of military contingents) through an airline at high cost. The auditors accordingly reviewed some of the related contracts. They found that on each occasion, bids from seven airlines were obtained and the contract was awarded to the lowest bidder.

28. As regards the management of the procurement of spare parts for vehicles, on the basis of previous internal audit recommendations, action has been taken to promote timeliness and cost-effectiveness of procurement.

Retroactive extension of fixed-term appointment

29. The alleged falsification of records referred to a case of retroactive extension of a fixed-term appointment. The staff member concerned had continued in MINURSO from 17 July 1993 to 31 August 1994. On 14 September 1994 the Deputy Special Representative informed the Chief Administrative Officer that her services "are required up to 18 September 1994" and later, on 21 September 1994, he certified that she was on assignment with his office (as a documents clerk) from 1 to 18 September 1994. In our assessment, the retroactive extension of the contract was improper and we recommended that there should be no repetition of such a case in the future. Clarifying the "exceptional" circumstances that led to the extension "partly on compassionate grounds" in this case, the Deputy Special Representative assured us that he wished to avoid any repetition of such a case.

E. Administrative support

30. There were several written complaints against the present Chief Administrative Officer concerning the lack of good administrative support and his improper behaviour, especially anti-American expressions. The auditors believe that these were the cause of Mr. Ruddy's complaint about "anti-Americanism" at MINURSO. A number of officials whom the auditors met with were critical of the Chief Administrative Officer's behaviour of the Chief Administrative Officer towards them and expressed dissatisfaction at the way he functioned, which did not assure positive and efficient administrative support. On the other hand, the Chief Administrative Officer himself complained of lack of cooperation in enforcing rules and regulations.

31. Some persons informed the auditors that whenever the Chief Administrative Officer saw any problem with an individual, he was in the habit of adversely referring to the individual's nationality. However, the auditors did not sense any discrimination based on any particular nationality in the course of the audit and investigation.

F. Non-extension of Mr. Ruddy's contract

32. Contrary to the statement by Mr. Ruddy that his contract was abruptly terminated because of his allegations, the auditors were informed that the Deputy Special Representative had, in the course of a review for extension of contracts on 13 December 1994, told Mr. Ruddy that he would not be recommending him for an extension, in view of his past performance and behaviour as well as his inability to work constructively with the Moroccan authorities and the OAU observers. There were also written complaints about Mr. Ruddy's improper behaviour. Further, in his report on the identification process in Western Sahara for the period from 6 to 16 December 1994, the OAU observer had inter alia mentioned Mr. Ruddy's assault on the Deputy Special Representative before and during dinner on 13 December 1994, terming it an "inexcusable" action which was "one of the many displayed by Mr. Ruddy".

33. In his letter dated 21 December 1994, the Deputy Special Representative had informed Mr. Ruddy of the circumstances which made it impossible for him to continue to exercise the function of Deputy Chairman of the Identification Commission. In a letter dated 21 December 1994 from MINURSO administration, while communicating Headquarters' decision not to renew the fixed-term contract upon its expiry on 31 December 1994, Mr. Ruddy was requested to complete the formalities so that he could take the flight on 21 December 1994 which he had already booked from Laayoune. The auditors were also shown some evidence (dated 12 December 1994) of Mr. Ruddy seeking a job elsewhere and planning a home visit during Christmas.

IV. CONCLUSION

34. In our assessment, the present Deputy Special Representative is held in high esteem, and his negotiating skills, as well as his credibility with the parties, were generally well appreciated. It appeared to us that the complaints were triggered primarily by frustration as a result of non-extension of contract and personal animosity. MINURSO has faced regular audits. While the administrative performance of the Mission has not been flawless, the Mission has been responsive to the audit recommendations and has taken, by and large, prompt follow-up action to correct mistakes. It should be noted that before his departure, Mr. Ruddy never called the attention of visiting auditors to any improprieties.

35. The recent audit showed that the Deputy Special Representative needs better support from his Deputy in the Identification Commission for the day-to-day management of the identification process and from the Chief Administrative Officer for well-coordinated and effective administrative support to the operation of the Mission. Given these, the performance of the Mission could be further improved.

(Signed) Karl Th. PASCHKE
Under-Secretary-General
for Internal Oversight Services

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STRENGTHENING OF THE COORDINATION OF HUMANITARIAN AND DISASTER RELIEF ASSISTANCE OF THE UNITED NATIONS, INCLUDING SPECIAL ECONOMIC ASSISTANCE: SPECIAL ECONOMIC ASSISTANCE TO INDIVIDUAL COUNTRIES OR REGIONS

Financing of the Palestinian Police Force

Report of the Secretary-General

I. BACKGROUND

1. On 13 September 1994, the first anniversary of the signing of the Declaration of Principles on Interim Self-Government Arrangements (A/48/486-S/26560, annex), the Chairman of the Executive Committee of the Palestine Liberation Organization, Mr. Yasser Arafat, the Minister for Foreign Affairs of Israel, Mr. Shimon Peres, and the Minister for Foreign Affairs of Norway, Mr. Bjorn Tore Godal, in his capacity as Chairman of the Ad Hoc Liaison Committee, issued a declaration in Oslo, which, inter alia, addressed the financial difficulties faced by the Palestinian Police Force in the Gaza Strip and Jericho Area. The declaration indicated that Mr. Arafat and Mr. Peres would together approach the Secretary-General to request that the United Nations should serve as the mechanism for immediately channelling existing funds to the Palestinian police.

2. Because of the urgency of the situation, the Secretary-General agreed that the United Nations would channel donor funds for disbursement of police salaries and start-up costs for a short interim period. He insisted, however, that any further United Nations involvement would have to be mandated by the General Assembly and that the United Nations should incur no financial obligations in the process. It would be up to the Ad Hoc Liaison Committee, on behalf of the donors, to mobilize the necessary resources to ensure payment of salaries and start-up costs to the Palestinian police.

3. On 26 September 1994, a Memorandum of Understanding was signed in Gaza by representatives of the Palestinian Police Force and the United Nations Relief

and Works Agency for Palestine Refugees in the Near East (UNRWA), and witnessed by the Special Coordinator in the Occupied Territories and a representative of the Ad Hoc Liaison Committee. That Memorandum, described in greater detail below, established a technical mechanism and procedures to be followed to effect payment of salaries and other recurrent costs of the Palestinian Police Force.

4. On 2 December 1994, the General Assembly approved resolution 49/21 B, entitled "Financing of the Palestinian Police Force", which, inter alia, requested the Secretary-General to designate a United Nations agency to disburse, with due attention to the need for thorough accounting, the voluntary contribution given by donors in the light of the activities of the Ad Hoc Liaison Committee for salaries and other start-up costs of the Palestinian Police Force, for a period ending not later than the end of March 1995.

5. In the light of the successful functioning of the disbursement mechanism established in accordance with the Memorandum of Understanding, the Secretary-General designated UNRWA as the agency responsible for implementation of the resolution. The data contained in the present report is drawn primarily from UNRWA, but also includes information from the Office of the Special Coordinator in the Occupied Territories (UNSCO), which has worked closely with UNRWA in this process.

II. THE TECHNICAL MECHANISM TO DISBURSE DONOR FUNDS TO THE PALESTINIAN POLICE FORCE

6. The Memorandum of Understanding took fully into account relevant provisions of the Agreement on the Gaza Strip and the Jericho Area signed by Israel and the Palestine Liberation Organization at Cairo on 4 May 1994 (A/49/180-S/1994/727, annex). It established procedures for identification of members of the Police Force whose salaries would be paid by donor funds, as well as for verification and authentication of the payroll sheets prepared by the Palestinian Police Force and submitted to UNRWA. The payroll sheets listed name, rank, unit in which the member of the Force was serving, identification number and gross salary (i.e. base salary, dependency and other allowances, cost-of-living adjustments and contributions for pension, health and social security funds).

7. A technical verification process was undertaken each month to confirm the accuracy of the payroll sheets and the financial information contained therein. Formal authentication of the payroll sheets then took place prior to disbursement of salaries at a monthly meeting held jointly by representatives of the Palestinian Police Force, UNRWA, UNSCO and the Ad Hoc Liaison Committee. Following that meeting, individual pay packets were issued in accordance with the authenticated payroll sheets. The packets were prepared by joint Palestinian Police Force-UNRWA teams and monitored by UNRWA. Members of the Force were paid their base salaries plus allowances in cash, mainly in United States dollars, which were brought to Gaza each month from Amman by a local bank. The pay packets were distributed by 12 to 18 joint Palestinian Police Force-UNRWA teams to individual members of the Police Force upon production of proof of their identity and against their signatures. From what UNRWA has observed and audited, the financial control mechanisms employed by the

Palestinian Police Force are credible and effective in preventing overpayment or duplicate payment.

8. In accordance with the Memorandum of Understanding, salary contributions for pension, health and social security funds of the Police Force were to be transferred to the Finance Ministry of the Palestinian Authority for credit to separate bank accounts maintained by the Force for those funds. Regarding other recurrent costs for expenses such as food, fuel, vehicle maintenance, office and other supplies, UNRWA was to audit expenditures that had been made by the Force during the previous month; donor funds would then be used to reimburse the Force.

III. DONOR CONTRIBUTIONS TO THE POLICE

9. From September 1994 through March 1995, seven donor countries and the European Union contributed funds to the Palestinian Police Force using the UNRWA mechanism: Denmark, the European Union, the Netherlands, Norway, Saudi Arabia and Sweden channelled funds directly through UNRWA, and the United Kingdom transferred funds to the Palestinian Authority, which in turn gave the funds to UNRWA for disbursement in accordance with the Memorandum of Understanding. In a slight departure from that practice, Japan stipulated that its contribution must be disbursed only to the Emergency/Civil Defence and Traffic Police Units of the Palestinian Police Force. Although the funds were channelled through the United Nations Development Programme (UNDP) as part of a larger Japanese package of assistance, it was agreed that the salaries would be disbursed through the UNRWA mechanism in accordance with the Memorandum of Understanding. A representative of UNDP participated in the process leading to the disbursement of Japanese funds.

10. The priority of the donors has been to cover the net salaries of 9,000 policemen, the force strength authorized by the Agreement on the Gaza Strip and Jericho Area. Where resources were available, salary contributions for health insurance, pension and social security funds have also been paid. Funds towards other recurrent costs (food, fuel, etc.) were only available for the months of December 1994 and January 1995. The Palestinian Authority understands that the United Nations operates only as a channel for voluntary contributions by donors and not as a donor to the Police Force. Neither UNRWA nor UNSCO has encountered expectations from the Palestinian Authority to advance or identify additional funds to cover shortfalls.

IV. FINANCING OF PALESTINIAN POLICE FORCE SALARIES FROM SEPTEMBER 1994 TO MARCH 1995

11. From September 1994 to March 1995, the total bill for net salaries (base salaries plus allowances) for 9,000 police amounted to approximately $30.2 million, of which $29.8 million was funded, leaving a shortfall of some $400,000. During the same period, salary deductions for pension, health and social security funds amounted to about $1.4 million, of which some $600,000 was funded, leaving a shortfall of about $800,000. Thus the funding shortfall for the total salaries bill for the period was about $1.2 million, as shown below.

Net salaries	Salary deductions	Total salary bill	Amount funded	Amount unfunded
		(United States dollars)		
30 161 335	1 397 468	31 558 803	30 398 609	1 160 194

12. With regard to other recurrent costs, the Palestinian Police Force has budgeted approximately $1.944 million per month. Although the Memorandum of Understanding includes procedures to cover those costs, the absence of sufficient donor contributions for the purpose in all but two months of the period under review required less involvement by UNRWA, which reviewed monthly expenditures by the Force only when funds were available to offset them. When the European Union provided $3 million towards those costs, UNRWA audited the Force's expenditures, finding that $1.9 million was spent by the Force in December 1994 and $2.161 million in January 1995.

13. Annex I to the present report provides a month-by-month breakdown of the payments made to the Palestinian Police Force, including the source of funds and the amount contributed by each donor.

V. COSTS TO THE UNITED NATIONS RELIEF AND WORKS AGENCY FOR PALESTINE REFUGEES IN THE NEAR EAST IN PROVIDING ASSISTANCE

14. From the outset of the effort to assist the Palestinian Police Force, UNRWA had conditioned its involvement in the payment exercise on the understanding that the Agency would incur no costs in providing its assistance. That position, which was reflected in the Memorandum of Understanding, has been appreciated fully by the donors and the Palestinian Authority. In practice, donors covered UNRWA costs in the following ways:

(a) UNRWA was requested to deduct its direct and indirect costs from the contribution earmarked for the police (European Union, Norway, Sweden);

(b) UNRWA was reimbursed for costs incurred in the payment exercise (United Kingdom of Great Britain and Northern Ireland);

(c) UNRWA was requested to subtract the Agency's standard 12 per cent of an earmarked contribution to cover programme support costs (Denmark, Netherlands);

(d) UNRWA retained the interest earned on a contribution during the period between its receipt of the donor funds and the expenditure of those funds on behalf of the Palestinian Police Force (Saudi Arabia).

15. Annex II to the report provides details of UNRWA costs and the funds that it received to cover those costs. UNRWA has recovered both its direct costs (such as staff travel, transportation, payment of overtime and communications)

and indirect costs (such as interest lost from having advanced funds against written pledges). The total direct and indirect costs incurred by UNRWA will amount to $134,000 as of the completion of payment of March 1995 salaries. The amount received by UNRWA either as reimbursement for costs incurred by the Agency, or in programme support costs or in earned interest will amount to about $521,000 during the same period. This unanticipated outcome results from the request of the Netherlands and Denmark that UNRWA subtract from their earmarked contributions the Agency's standard 12 per cent to cover programme support costs. In addition, UNRWA retained the interest earned on the Saudi Arabian contribution of $7.5 million between the date of transfer to the Agency's account and the date of the release of those funds to pay the police (a period of several weeks). For those three contributions, UNRWA charged no direct costs. UNRWA deducted its direct and indirect costs, as appropriate, from the contributions of the European Union, Norway and Sweden; the United Kingdom reimbursed UNRWA for the Agency's direct costs.

16. In order to cover a funding gap of about $95,000 in the March 1995 net salaries bill, UNRWA provided that amount from the programme support costs of $113,000 on the contribution from Denmark.

VI. OBSERVATIONS

17. For the past seven months, UNRWA, together with UNSCO and more recently UNDP, has worked with the Palestinian Authority and donors in establishing an effective temporary mechanism for disbursing voluntary contributions for salaries and other start-up costs of the Palestinian Police Force. Close cooperation between the relevant actors has been an important factor in ensuring the success of the mechanism. Equally crucial, however, has been the timely disbursement of donor funds pledged for the purpose.

18. The information contained in annex I shows that there is a shortfall in each category of payment and, at the time of the present report, the United Nations has no information about availability of donor funds for police salaries for the months ahead. The Secretary-General takes this opportunity to remind the Ad Hoc Liaison Committee of its obligations in this regard. In designating UNRWA to implement paragraph 1 of resolution 49/21 B, the Secretary-General received assurances from all concerned that that responsibility would be for an interim period and that the United Nations would incur no expenses. Thus far the mechanism has worked to the satisfaction of the Palestinian Authority, the Palestinian Police Force and the donors. Although it is not in a position to contribute funds, the United Nations will continue to make every effort to facilitate the process.

ANNEX I

Financial report on the payment of salaries and other running costs to the Palestinian Police Force for the period from September 1994 to March 1995

(In United States dollars)

Year/month	Donor	Amount of contribution	Net salaries for 9,000 police	Salary deductions a/	Other running costs b/	Remarks
1994						
September	UK	3 598 700	3 598 700	(186 755)	Not applicable	Only net salaries were paid.
October	UK	1 074 187				1. Only net salaries were paid.
	Norway	2 923 655			Not applicable	2. The Norwegian contribution is net of UNRWA costs and crown agents fees (total contribution $3 million).
	Sweden	227 701				3. Total Swedish contribution $1,074,516; $227,701 was advanced; balance used to reimburse the PPF for part of the November salaries bill.
	Total	4 225 543	4 225 543	(173 856)		
November	Netherlands	3 086 735			Not applicable	1. Net salaries were not fully funded. $387 579 remained unfunded against the net salaries total. Salary deductions were not covered.
	Sweden	844 964				2. The Netherlands' contribution is net of programme support costs (12 per cent) amounting to $370 408.
	Total	3 931 699	4 319 278	(177 713)		3. The Swedish contribution is net of UNRWA costs.
December	European Union	6 086 691	4 453 951	173 595	1 459 145	The European Union contribution of ECU 5 million was used to pay net salaries and salary deductions. The balance of the contribution ($1,459,145 after making provision for UNRWA costs) was transferred to the PPF against other running costs in agreement with EU.

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Year/month	Donor	Amount of contribution	Net salaries for 9,000 police	Salary deductions a/	Other running costs b/	Remarks
1995						
January	European Union	6 215 711	4 449 192	224 504	1 542 015	The EU contribution of ECU 5 million was used to pay net salaries and salary deductions. The balance of the contribution ($1,542,015 after making provision for UNRWA costs) was transferred to the PPF against other running costs, in agreement with EU.
February	Saudi Arabia	4 709 282	4 482 528	226 754	Not applicable	The total Saudi contribution is $7.5 million. $4.7 million was used to pay the net salaries and salary deductions for February 1995. The remaining balance of $2,790,718 will be used for payment of salaries in March 1995.
March	Saudi Arabia	2 790 718				1. $94,794, representing part of the programme support costs received on the Danish contribution, was used to fund the shortage in March 1995 salaries.
	Denmark	1 040 224				2. The Japanese contribution has been paid through UNDP using the UNRWA mechanism.
	Japan	719 875	4 632 143	(234 291)	Not applicable	3. An amount of $81,326 of uncollected salaries from September 1994 will be used for payment of salaries in March 1995.
	Total	4 550 817				
	Grand total	33 318 443	30 161 335	1 397 468		
	Funded	33 318 443	29 773 756	624 853	3 001 160	
	Unfunded		387 579	772 615		Total shortfall in funding of salaries $1,160,194.

a/ Salary deductions comprise pension, health insurance and social security funds and are paid directly to designated accounts of the Palestinian Police Force. Figures in brackets ( ) indicate amounts not covered by contributions and therefore unfunded.

b/ Other running costs covered by donor funds only in December 1994 and January 1995.

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ANNEX II

Expenses incurred by the United Nations Relief and Works Agency during the payment of Palestinian Police Force salaries and other running costs for the period from September 1994 to March 1995

(In United States dollars)

Year/month	UNRWA expenses	Amount received by UNRWA	Remarks
1994			
September	11 000	11 000	Received from the UK.
October	48 965	43 785	$2,220 received from the UK. The $41,565 deducted from the Norwegian contribution is in respect of lost interest as a result of funds being advanced against the Norwegian pledge. $5,180 still owed by Norway.
November	7 400	372 258	$1,850 received from the Government of Sweden. $370,408 programme support costs received on the Netherlands' contribution in agreement with that country.
December	15 786	15 786	Deducted from the EU contribution.
1995			
January	21 232	21 232	Deducted from the EU contribution.
February	15 000	38 000	Interest earned on the Saudi Arabian contribution.
March	15 000	18 658	Programme support costs received on the Danish contribution in agreement with that country, amounting to $113,452. $94,794 of this amount was used to fund the shortage of salaries in March 1995.
Total	134 383	520 719	